



# NEWS RELEASE

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**Contact:** D.J. Caulfield (202) 205-6740  
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### ***SBA OFFERS RULES TO PROTECT SMALL BUSINESSES FROM 'CONTRACT BUNDLING'***

**WASHINGTON --**The U.S. Small Business Administration (SBA) recently published proposed regulations that will protect small businesses involved with federal government contracting. Once adopted, the rules will establish definitions for the practice known as 'contract bundling' and supply remedies to counter the negative impact that bundling has on small businesses. The public has until March 15 to comment on the proposal before the agency takes steps toward finalization.

**"The SBA has proposed a set of regulations to ensure that 'contract bundling' doesn't shut the doors of opportunity for small businesses,"** said SBA Administrator Aida Alvarez. **"It may be easier to lump together a number of small contracts, but it doesn't benefit the taxpayer if it means higher costs from decreased competition. And we must make sure we aren't harming the small business owner and his or her employees."**

The proposed SBA regulations, which appeared Jan. 13 in the *Federal Register*, explain that contract bundling occurs when procurement officials combine two or more contracts that previously had been offered separately. In many cases, the scope of the new contract places it beyond the capabilities of any one small business.

Increased use of these 'bundled contracts' can lead to a decrease in prime federal contracting with small businesses, which averages about \$40 billion per year. Overall federal contracting averages close to \$200 billion per year.

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The proposed regulations acknowledge that in this new era of government procurement some bundling may be necessary. But the agency wants federal officials to submit for SBA review any procurement identified as a ‘bundled contract.’ The agency is leaving open the option of challenging these in an attempt to negotiate a more equitable distribution, particularly for small businesses. Among the remedies available include requesting that the large procurement be broken up into smaller contracts or that portions be segmented and offered as small business set-asides.

The SBA proposal also establishes clear guidelines for small businesses that want to create a joint venture, or team, to go after the bundled contracts that can’t be broken down. Under the old rules, small businesses banding together were sometimes disqualified on certain contracts because the new employee count or combined revenues would exceed the SBA’s definition of a small business. With the new rules, if the firms are small before they enter the arrangement, a joint venture won’t change that status.

In addition, if the procurement is described in the statement of work as a “substantial bundling,” then the SBA is seeking a written justification from the procuring official. The SBA will evaluate this to see if it truly benefits the government in terms of cost savings, faster acquisition cycle or better overall terms and conditions. Procurements not meeting the criteria will be subject to a challenge.

The SBA has not yet defined what constitutes substantial bundling, and is inviting public comment to help resolve the issue. A definition could reflect a threshold dollar value or a combination of factors such as geographical locations and industrial classifications. Written comments should be sent to the SBA’s Office of Government Contracting in Washington, D.C.

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